



# Market Issues and Process

QAP Training Session  
June 13, 2008

Presented By: David Allen  
(allend1@michigan.gov)

**Affordable housing development in Michigan is challenging for many reasons**





Housing stakeholders  
are meeting the  
challenge



**Market conditions are a  
major part of the  
challenges developers face**



North America





Successful developments are still  
out there to be produced!



**Understanding market dynamics  
is key to finding success**







Market  
demand in  
Michigan  
varies from  
place to  
place



# Household Change

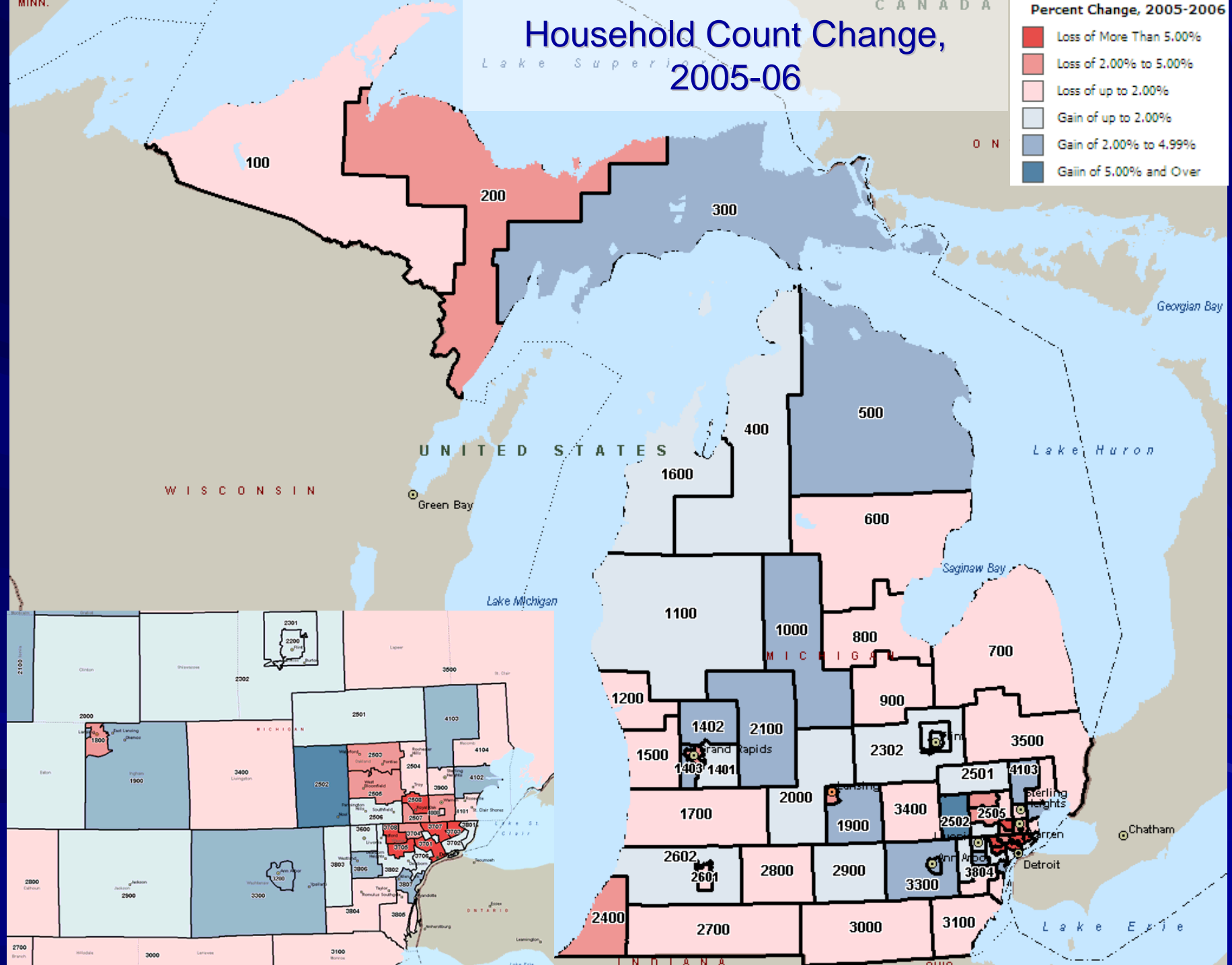




# Household Count Change, 2005-06

Percent Change, 2005-2006

- Loss of More Than 5.00%
- Loss of 2.00% to 5.00%
- Loss of up to 2.00%
- Gain of up to 2.00%
- Gain of 2.00% to 4.99%
- Gain of 5.00% and Over



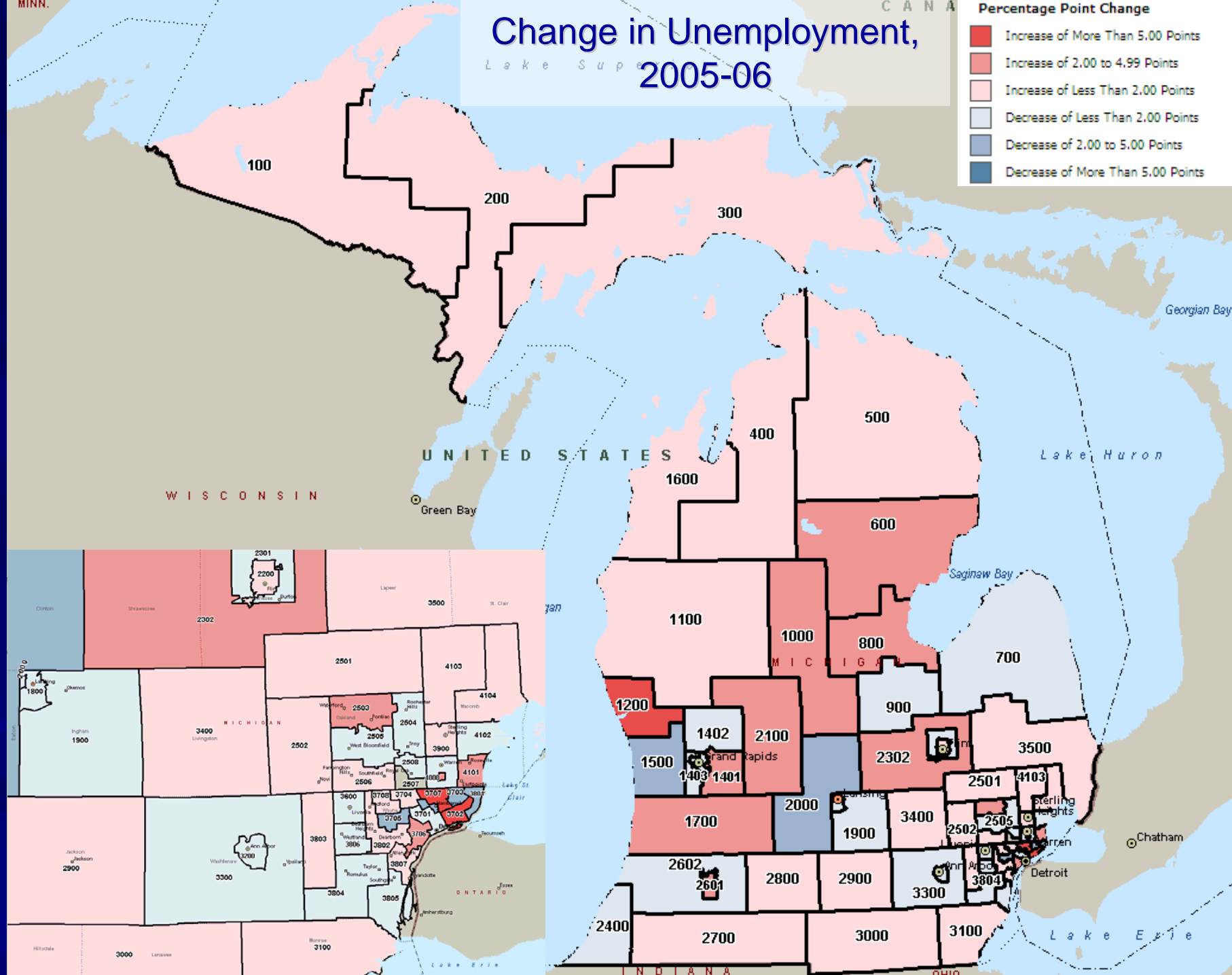
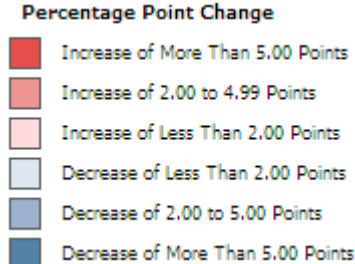
# Employment Factors





# Change in Unemployment, 2005-06

Lake Superior

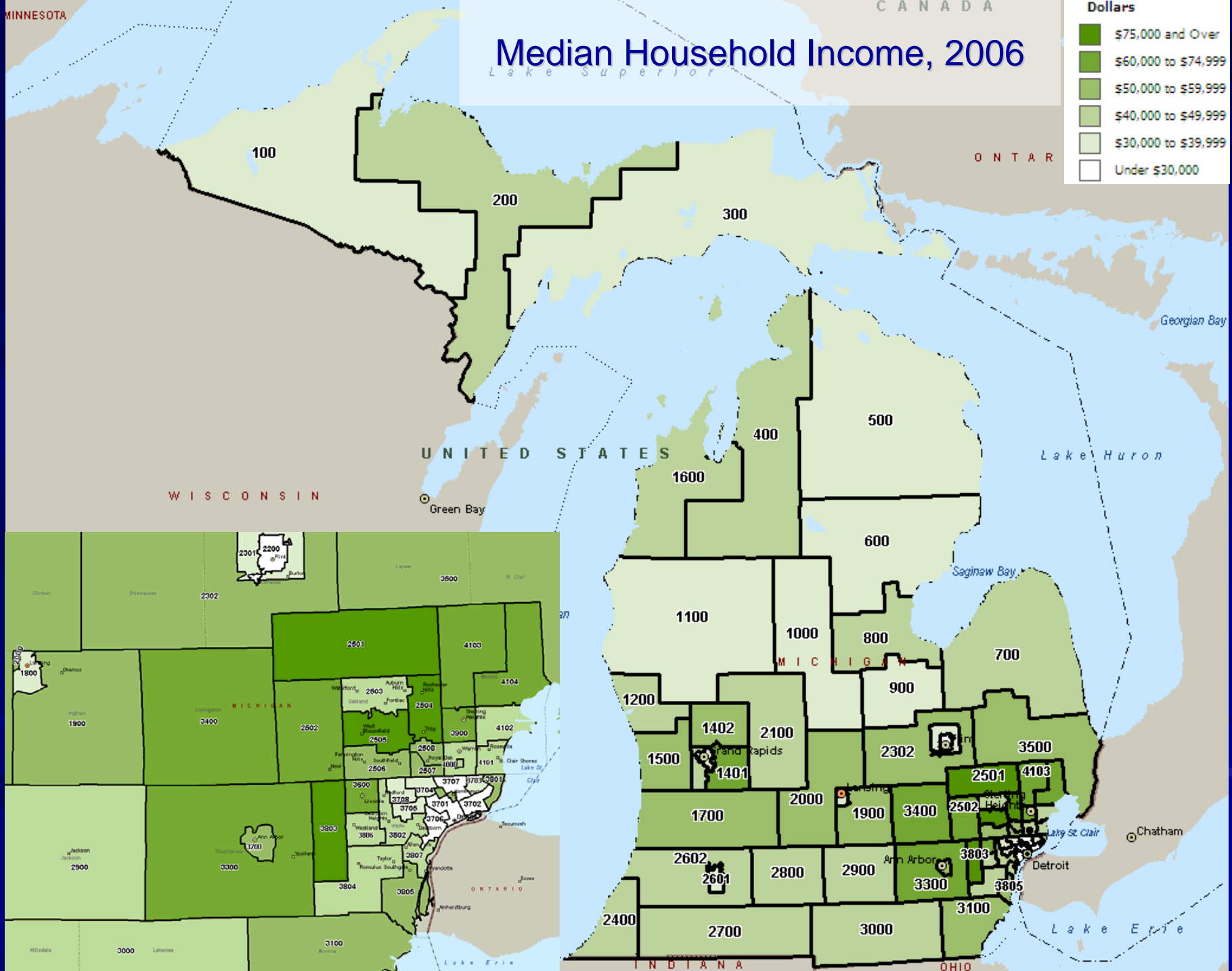






# Income Change

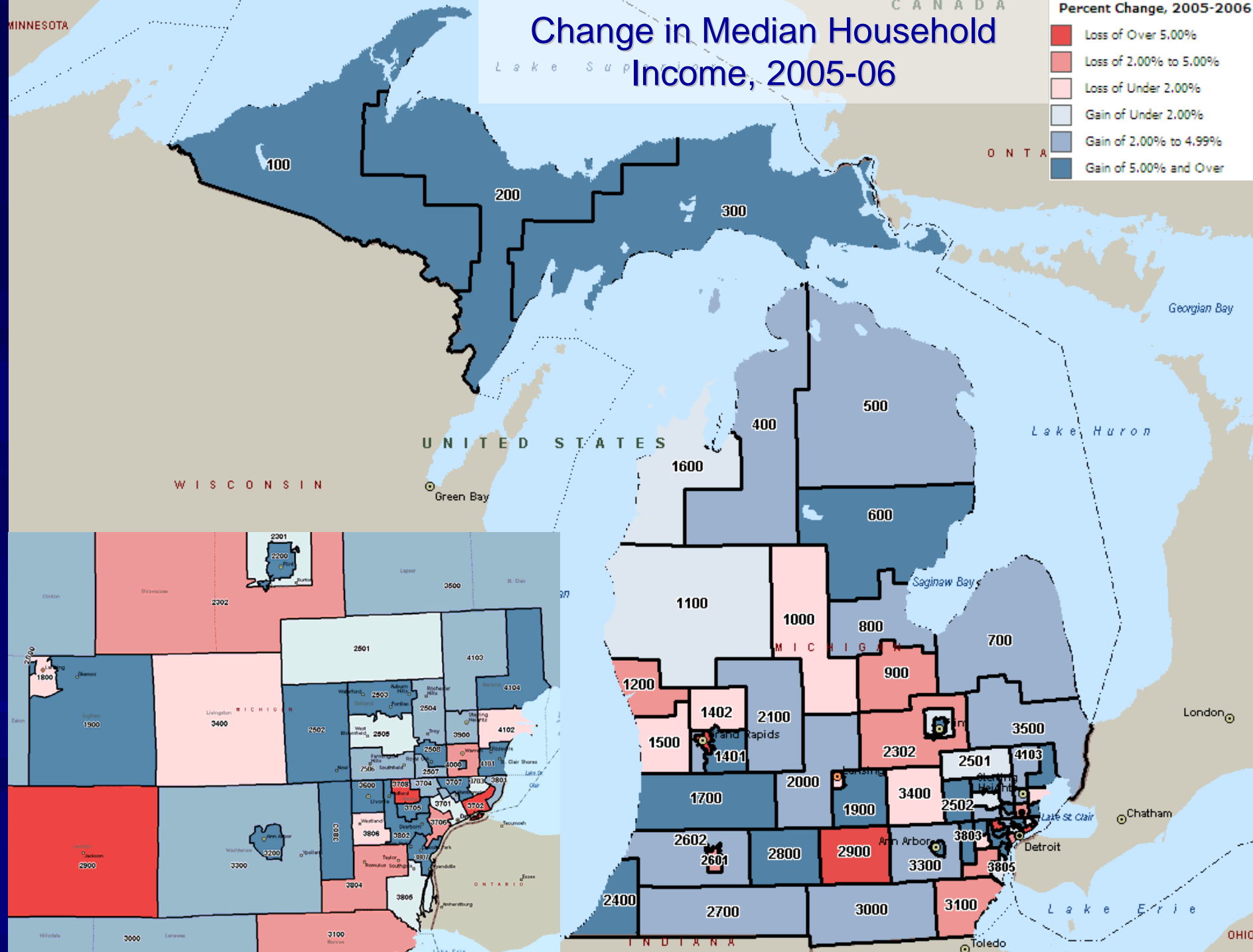






## L a k e S u p

Loss of Over 5.00%
Loss of 2.00% to 5.00%
Loss of Under 2.00%
Gain of Under 2.00%
Gain of 2.00% to 4.99%
Gain of 5.00% and Over



**Market supply has been affected in some areas by a lack of demand for certain product types**

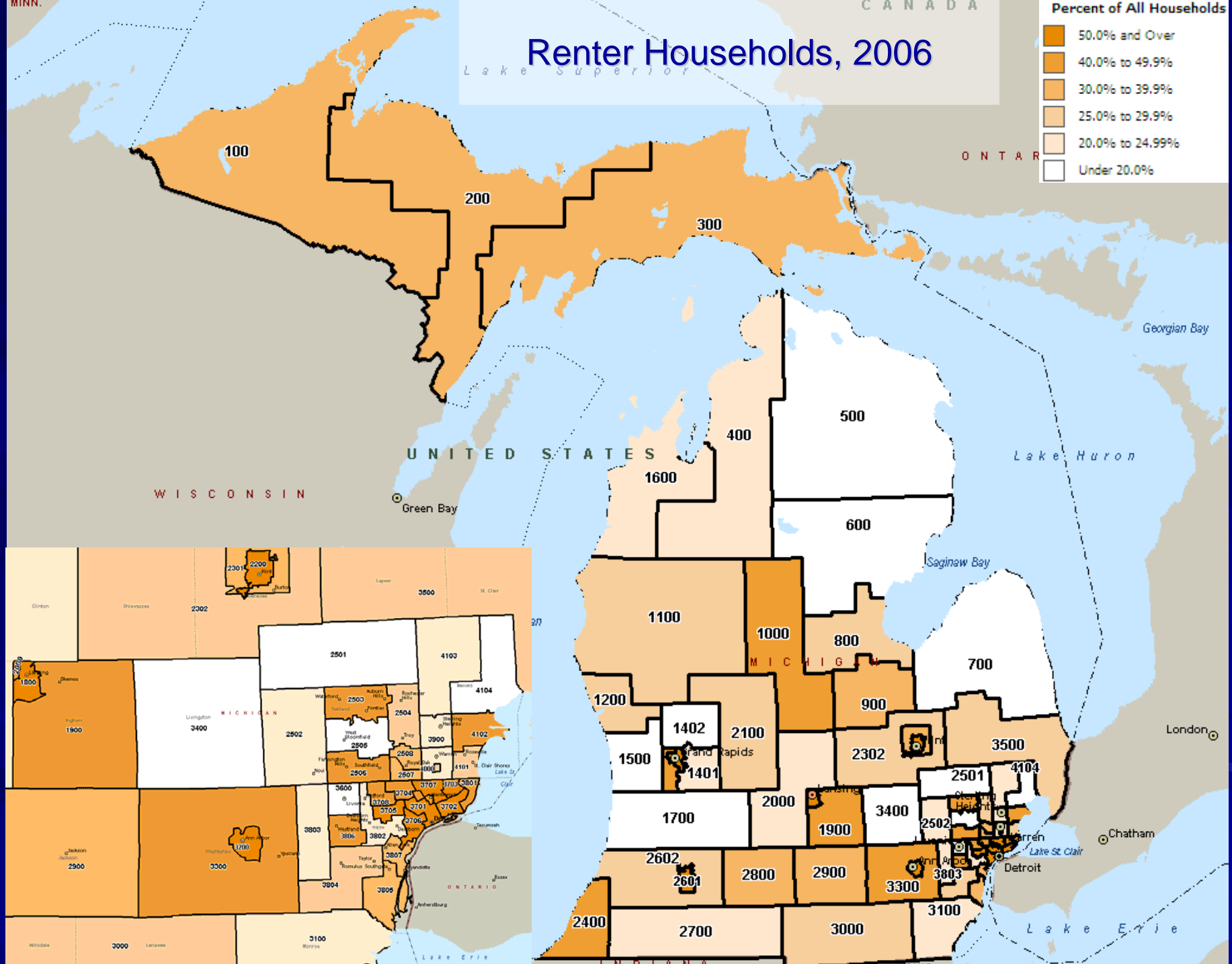
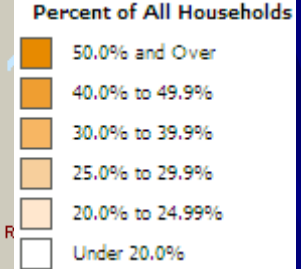




# Tenure



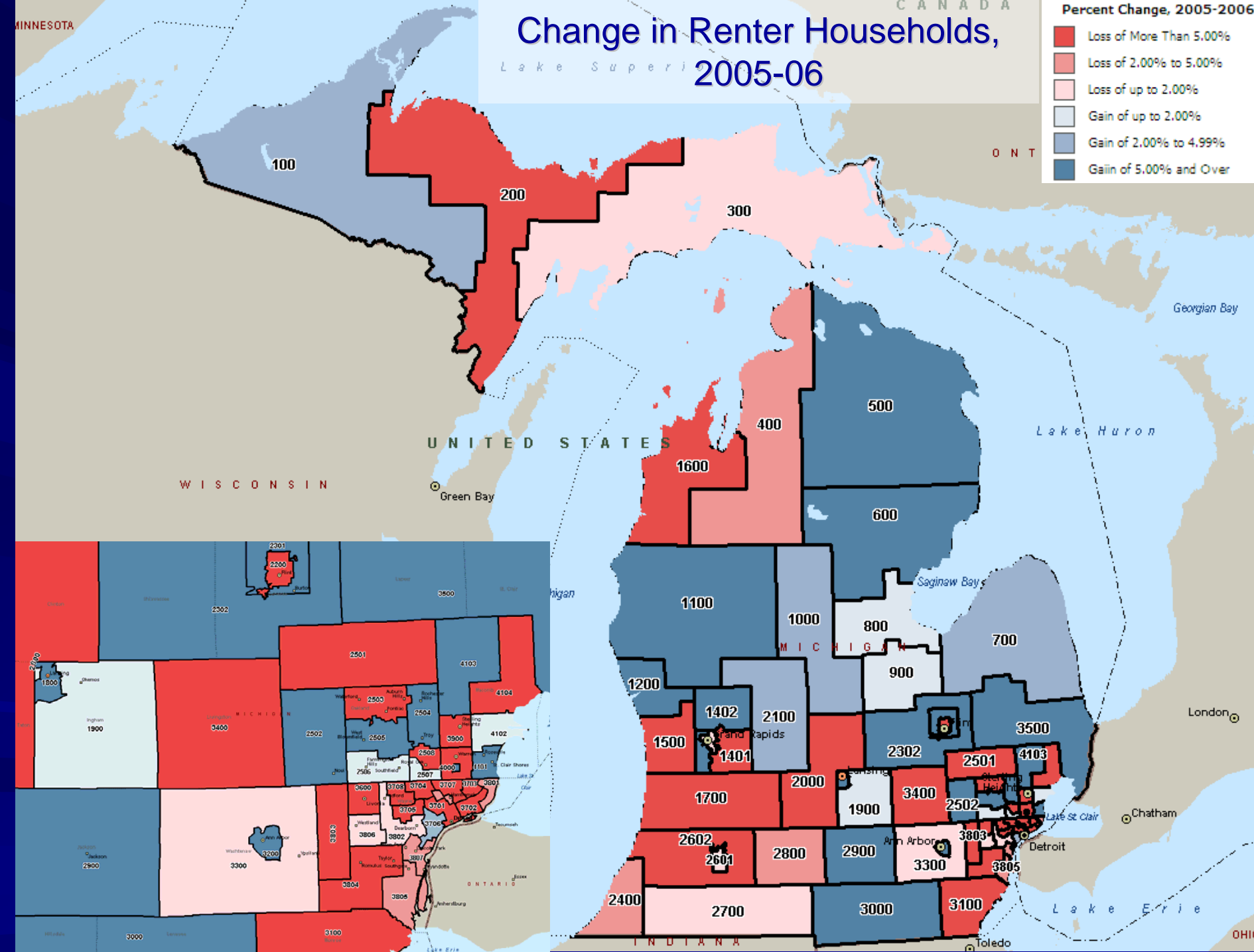
# Renter Households, 2006





## L a k e S u p e r i o r

- Loss of More Than 5.00%
- Loss of 2.00% to 5.00%
- Loss of up to 2.00%
- Gain of up to 2.00%
- Gain of 2.00% to 4.99%
- Gain of 5.00% and Over



# Vacancy Rates

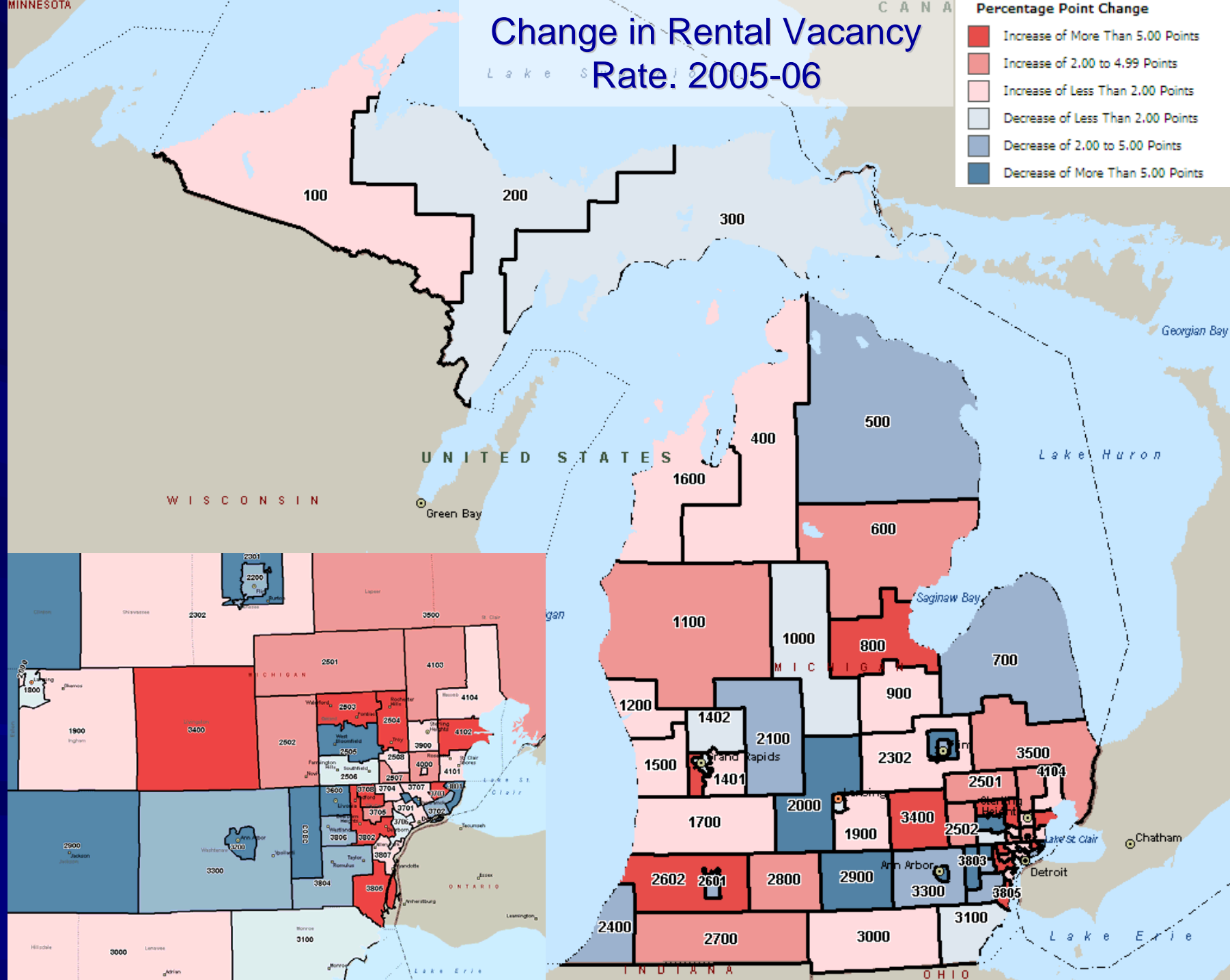




## Lake Success Rate

## Lake Success Rate

- Increase of More Than 5.00 Points
- Increase of 2.00 to 4.99 Points
- Increase of Less Than 2.00 Points
- Decrease of Less Than 2.00 Points
- Decrease of 2.00 to 5.00 Points
- Decrease of More Than 5.00 Points

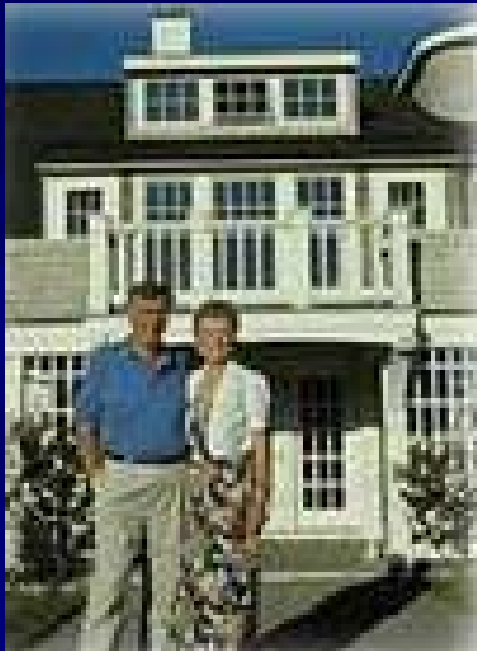


# Affordability remains a key issue in the state





# Owner vs. Renter Incomes

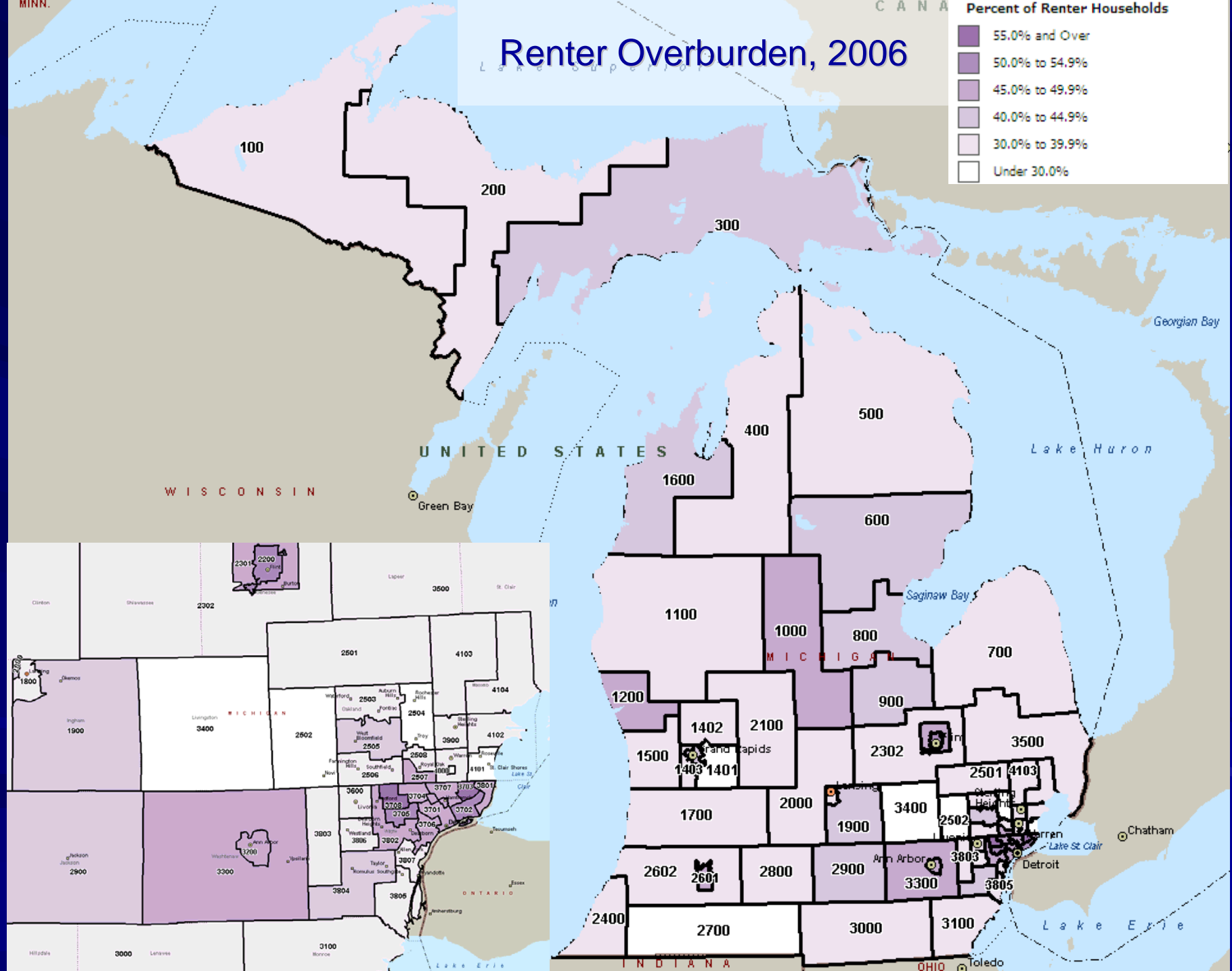


# Overburden





## Rentier Overlap

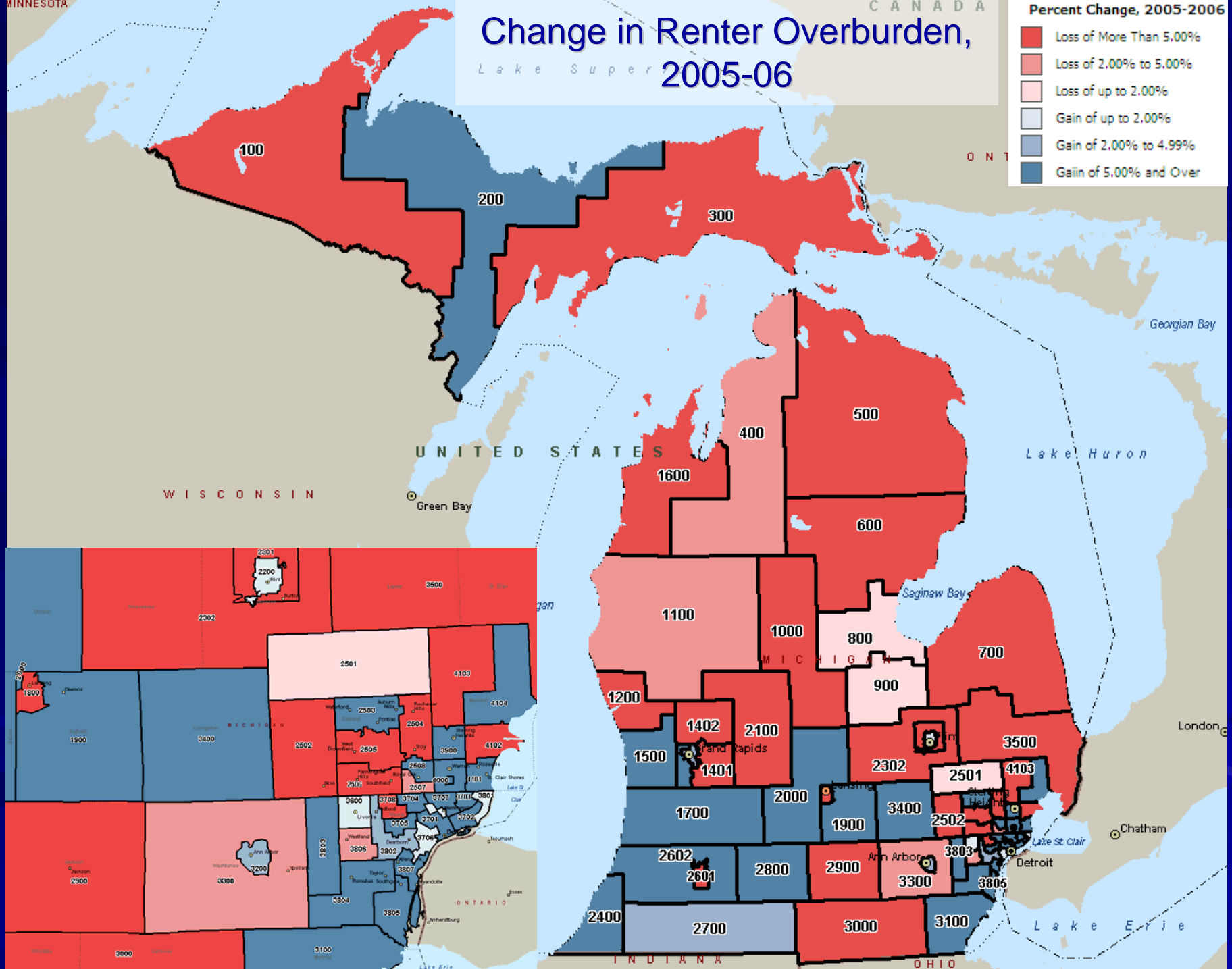




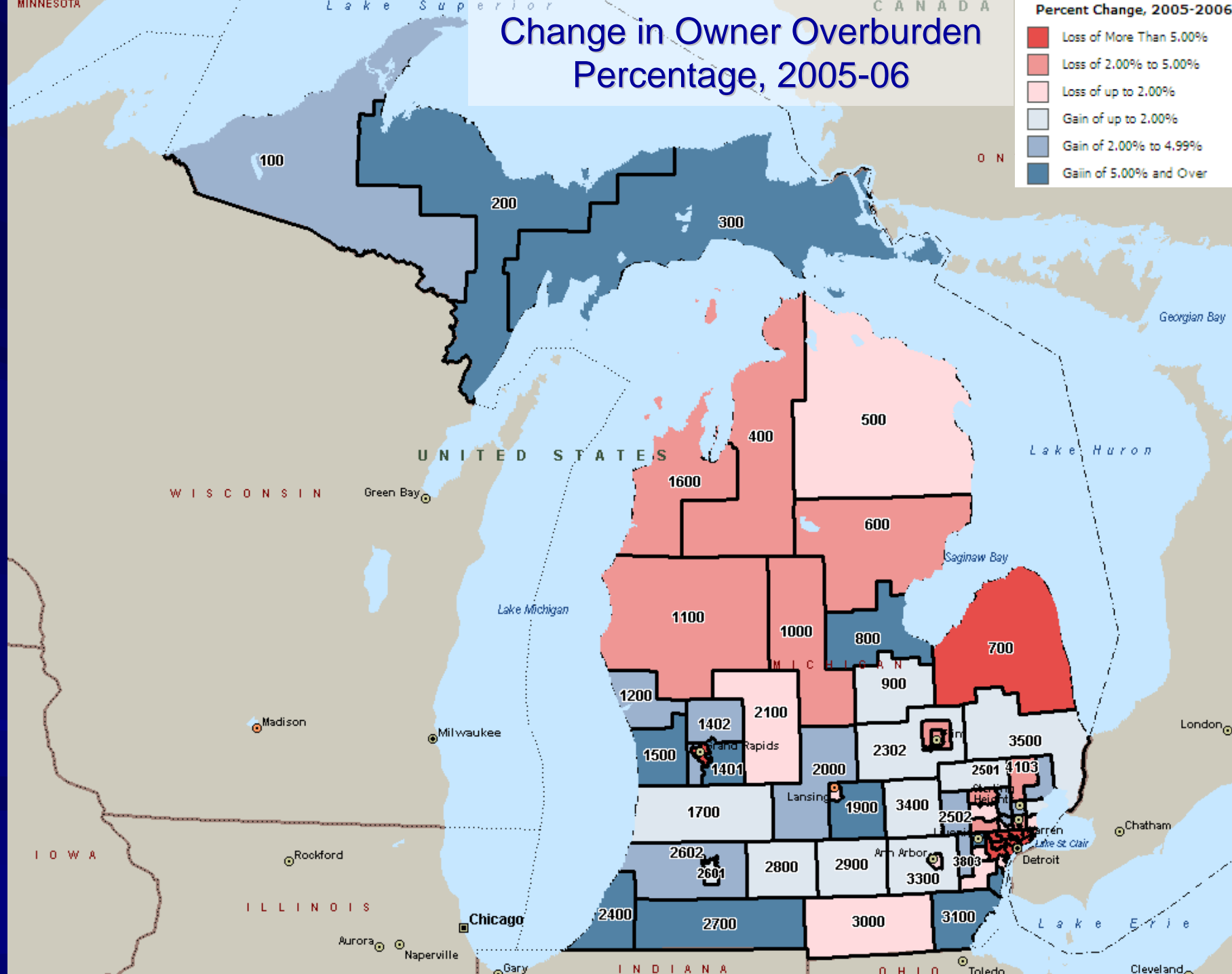
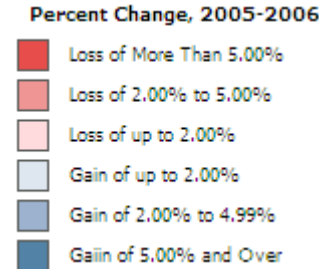


## L a k e S u p e r

Loss of More Than 5.00%
Loss of 2.00% to 5.00%
Loss of up to 2.00%
Gain of up to 2.00%
Gain of 2.00% to 4.99%
Gain of 5.00% and Over



# Change in Owner Overburden Percentage, 2005-06

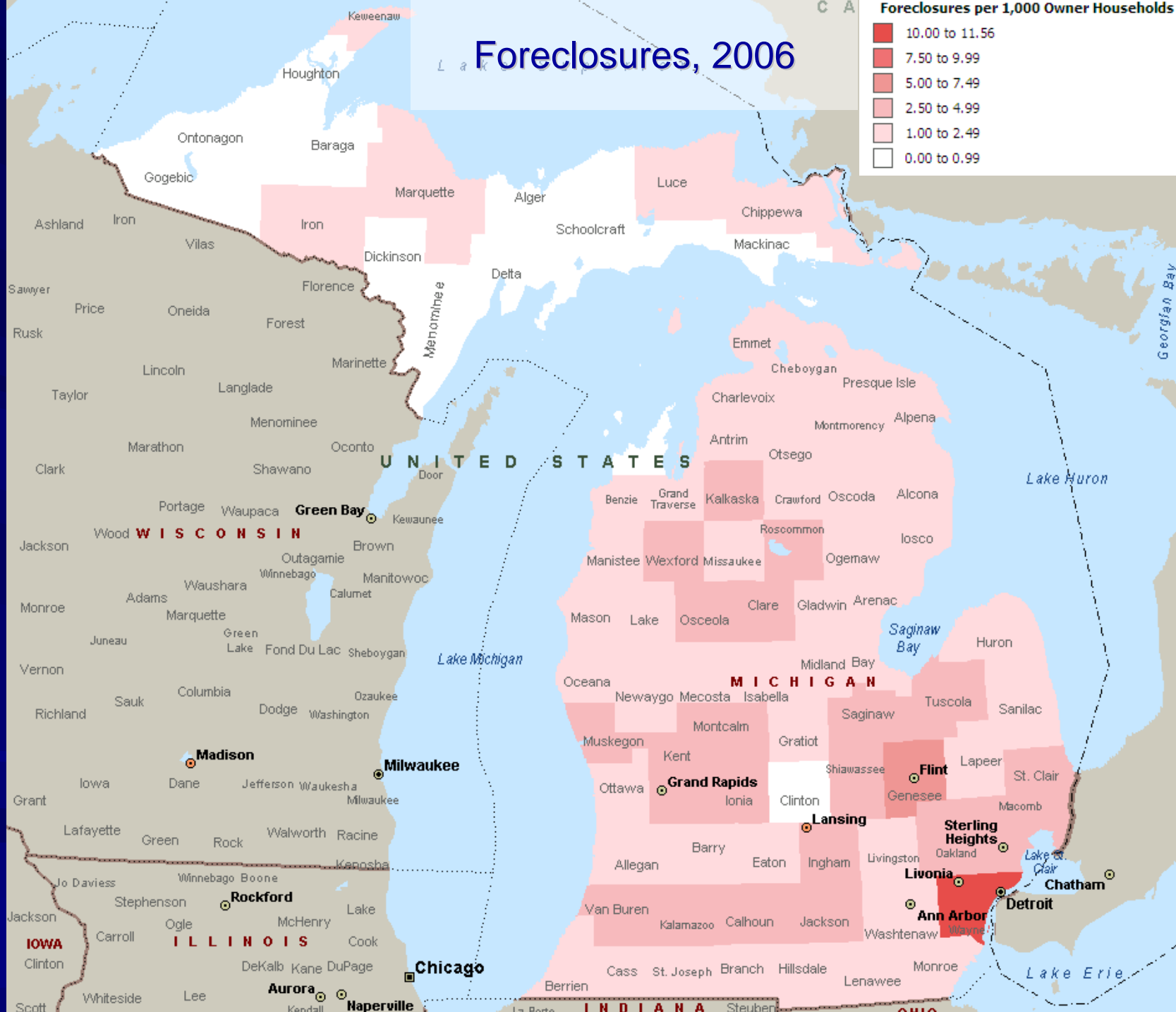
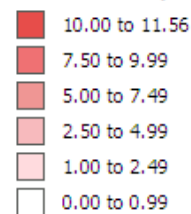




# Foreclosures



### Foreclosures per 1,000 Owner Households







Given these patterns, what



Opportunities exist for different types of product, targeted to underserved populations, dependent on local market conditions—Flight to Quality





# “Flight to Quality”

- What is quality in this market?
  - Preservation of subsidy
  - Projects with rent advantages—do not push 60% AMI limits
  - Mixed-use projects supporting downtowns
  - Other “Niche” products—affordable assisted living (given that it is affordable), supportive housing with project-based vouchers and strong service providers, etc.

# New Market Analysis System

- On first contact with developer regarding proposal:
  - Provide list of firms, two-firm veto (list in Tab C, Combined App (on website)
  - Fee: \$5,700 full study; \$6,300 for New Economy/Downtown/Niche Market study; \$3,000 prelim or reduced scope
  - On successful completion of prelim, \$2,700 for a full study on same project
- See “Market Study Initiation Request” (included in handouts)

# New Market Analysis System

## ■ Reduced Scope Studies

- Meant specifically for preservation of projects with tenant subsidy (Section 8, etc.)
- Project qualifies if it meets all of the following:
  - Rent subsidies cover **at least 95%** of units
  - **At least 90%** occupied
  - Rent increases after rehab **less than 10%**
  - **More than three** years remaining on HAP contract



# New Market Analysis System

- Call David Allen to set up work
  - Provide site map, project narrative, or anything else that will aid the analyst in setting up market analysis for subject
  - Provide names of two vetoed firms
  - On receipt of check, work will be assigned to a non-vetoed analyst
  - Phone: 517-335-4786
  - Email: [allend1@michigan.gov](mailto:allend1@michigan.gov)

# New Market Analysis System

- On assignment of work:
  - Two weeks until Primary Market Area (PMA) is due, MSHDA OK's PMA within 2 days of receipt
  - After PMA is approved, three weeks to finish work on study. Developer contact with analyst is minimal, and must be carried out through email, with MSHDA marketing staff CC'd.

# New Market Analysis System

- On completion of study:
  - It is sent to developer and MSHDA.
  - Within a week of receipt of study, a meeting between MSHDA Marketing staff, market analyst and developer (as well as HDO, if applicable) is convened to discuss results.